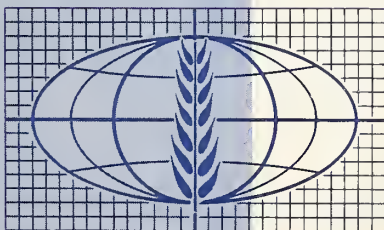


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THE AGRICULTURAL ECONOMY AND TRADE OF THE UNITED KINGDOM

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ABSTRACT

Agriculture accounts for 3 percent of the gross national product of the United Kingdom, and 3 percent of the work force is employed in farming. Agricultural imports represent 30 percent of the value of all U.K. imports, while agricultural exports are limited. The agricultural economy is dominated by the feed-livestock sector. Agricultural support policy is in the process of change, and entry into the European Community is being negotiated.

Key Words: United Kingdom, Agricultural production, Feed-livestock, Farmworkers, Trade, Policy, Food consumption, Outlook.

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SUMMARY

The United Kingdom is the world's largest net importer of agricultural commodities, relying on imports to supply about 50 percent of domestic food needs. Because of this, the United Kingdom has traditionally maintained low import duties. The U.K. market has therefore been readily accessible to foreign exporters, among them the United States, which supplied agricultural commodities valued at more than \$450 million in 1970. This policy of low import duties has resulted in high agricultural support cost to the British Government. To reduce this cost, the Government is currently in the process of raising many import duties, thereby shifting much of the burden of agricultural support from the Government to the consumer.

This change in policy will offer the advantage of aligning agricultural support policy in the United Kingdom with that of the European Community (EC). If the recently accepted U.K. application for membership in the EC is ratified by the British Parliament, such an alignment will be required.

Because either a continuation of the U.K. variable levy system or U.K. membership in the EC will result in higher import duties, traditional, non-EC suppliers of agricultural exports to the United Kingdom may experience some difficulty in maintaining their current market shares.

The British farmer is highly efficient and contributes to one of the most highly mechanized agricultural economies in the world. There is one tractor for every 35 acres of arable land, and power take-off equipment is common. With about 2 million tons of commercial fertilizer used per year, the British rank among world leaders in commercial fertilizer application per acre.

Despite the high level of agricultural development, however, agriculture is of minor importance in the total U.K. economy. Gross agricultural product, valued at \$2.9 billion in 1969, is only 3 percent of gross domestic product. Also, only 3 percent of the work force is engaged in agriculture, the lowest percentage for any West European country. Nonetheless, more than 80 percent of the total land area is devoted in some way to agriculture.

The agricultural economy is dominated by the feed-livestock sector. The United Kingdom ranks fourth among all West European countries in the production of grain. Approximately 50 percent of the arable land is cultivated for this production, with barley and wheat being the major grain crops. At the same time, however, heavy domestic requirements make the United Kingdom the largest importer of grain and grain products in Western Europe. About 70 percent of U.K. gross agricultural product stems from livestock products. Beef and pork are the most important.

THE AGRICULTURAL ECONOMY AND TRADE OF THE UNITED KINGDOM

By James R. Horst, Agricultural Economist
Foreign Regional Analysis Division
Economic Research Service

INTRODUCTION

The British Isles are off the northwest coast of Europe. The two main islands are Great Britain (comprising England, Wales, and Scotland) and Ireland (comprising Northern Ireland and the Irish Republic). There are over 200 lesser islands, the Channel Isles and the Isle of Man being the largest. While the Irish Republic is an independent nation, England, Wales,

Scotland, and Northern Ireland form the United Kingdom of Great Britain and Northern Ireland, commonly called the United Kingdom or Britain.

The United Kingdom covers an area in excess of 94,000 square miles, or slightly less than the area of Oregon. With a population in excess of 55 million in 1969, Britain has one of the highest population densities in Western Europe.

PHYSICAL ENVIRONMENT

Topography

The United Kingdom is roughly divided into a lowland area and a highland area. The lowlands are generally found in southern and eastern England. The highland area consists of Northern Ireland, Scotland, most of Wales, and the central upland area called the Pennines. In the highlands, the podzolic soils are generally poor and acid and, except for grazing, are of limited agricultural use. Soils in the lowland areas are usually brown forest soils or grey-brown podzols. These soils are only of mediocre agricultural value, but their location in parts of the country suited to agriculture because of climate results in extensive agricultural use.

Climate

The United Kingdom is characterized by a temperate climate. Compared with other areas of the same latitude, the United Kingdom has low temperatures in summer

and high ones in winter. Mean annual temperature ranges from 47° F in the north to 52° F in the south. Temperature is subject to frequent change but few extremes. The eastern part of Britain generally has slightly lower temperatures than the west. Many of the climatic features of the United Kingdom are due to the moderating effects of the sea, especially in the winter, when the North Atlantic Drift is most influential. Air masses whose characteristics have been modified by long sea passages are also important to the climate.

The United Kingdom has an annual rainfall of over 40 inches, but much more precipitation occurs in the mountainous areas of the west and north than in the plains of the east and south. The dry months of March to June have about 60 percent as much rainfall as the wetter months of October to January. The Scottish highlands have a growing season of less than 4 months, while coastal areas of western Wales and southwestern England have a frost-free period often extending for more than 9 months.

LAND USE

The wide variety of soils in the United Kingdom has resulted in differing types of natural vegetation. Most of the land, however, is now in farmland, more than one-fourth of which is arable. Of the total land area of more than 60 million acres, almost 50 million acres are used for agricultural purposes (table 1). The additional 4.2 million acres remaining in woods and forests account for 7 percent of the total land area.

Almost all of lowland Britain has been cultivated, while highland Britain is generally cultivated only in the valleys, where the soil is deep and rich. Many parts of the lowland area have elaborate land drainage systems; as

a result, this area can be intensively cultivated, often for potatoes or vegetables. Crop production tends to be concentrated in the eastern part of England, while dairy farming is widespread throughout the United Kingdom.

The total farm area is divided among 442,000 separate agricultural holdings. Fewer than half of these, however, provide full-time employment for the operator, and only 10 percent are considered commercial enterprises. About 50 percent of the arable land is devoted to grain production, and about 70 percent of the total agricultural area is used for the production of livestock feed, either grain or pasture.

**Table 1.—Acreage and percentage of surface area in various uses,
United Kingdom, 1965**

Use	Area	Share of total
	1,000 acres	Percent
Arable land	17,050	28.3
Fruit trees, bushes, and orchard land	272	0.5
Market gardens, gardens, and nursery gardens	445	0.7
Meadows and permanent grassland	13,120	21.8
Rough grazing land	18,335	30.4
Woods and forests	4,250	7.0
Nonagricultural land and inland waters	6,820	11.3
Total surface area	60,292	100.0

Source: *World Atlas of Agriculture*, Instituto Geografico De Agostini, Novaro, Italy, 1969, p. 456.

AGRICULTURE IN THE ECONOMY

Agriculture has declined in relative importance in the economy of the United Kingdom over the past decade. In 1969, it accounted for only about 3 percent of gross domestic product. This compares with about 5 percent in 1955. Gross agricultural product in 1969 was valued at approximately \$2.9 billion. While British agricultural production has expanded in recent years, the pressures of a larger population have resulted in continuing large import requirements for agricultural commodities. Only about 50 percent of agricultural produce consumed in the United Kingdom is domestically produced, although the United Kingdom is 70 percent self-sufficient in products grown domestically.

During 1966-70, the United Kingdom imported goods valued at an average of more than 18 billion annually. Agricultural imports during this same period averaged slightly more than \$5.5 billion annually, or 30 percent of total imports. The value of agricultural imports exceeded the value of agricultural exports during this period by approximately 10 times. Primarily because of these high agricultural imports, the United Kingdom is the world's largest net importer of agricultural products.

The agricultural economy of the United Kingdom centers around livestock and livestock products. About 70 percent of the value of all farm sales can be attributed to these items.

Farm Numbers

In 1968, there were approximately 200,000 full-time farms in the United Kingdom, a decrease of more than 10 percent in 6 years. This decrease was greatest in Northern Ireland (16 percent) and least in Scotland (5 percent). England and Wales experienced a decline of almost 11 percent in farm numbers during this time,

from 175,000 in 1963 to 156,000 in 1968. This does not necessarily reflect a decrease in farm acreage, as a consolidation of farming units resulted in increased average acreage per farm during 1963-68. This trend in decreased farm numbers and increased farm size is similar to a trend throughout most of the world.

Farmworkers

Also reflecting a trend noted in most of the world, employment in agriculture has steadily declined in the United Kingdom. In 1969, it amounted to about 3 percent of the civilian work force. This is the lowest percentage in Western Europe, contrasting to 13 percent in France and 11 percent in West Germany in 1968. Including the forestry, hunting, and fishing industries, agriculture employed fewer than 450,000 people in 1969, 125,000 of whom were considered part-time. In the decade 1960-69, the number of agricultural workers declined 40 percent (from 719,000 to 433,000). During 1963-68, when the number of farms decreased approximately 10 percent, the number of full-time farmworkers decreased almost 30 percent. This is indicative of the current movement from labor intensive enterprises to capital intensive enterprises (ones relying more on fertilizer or mechanization, for example) in the United Kingdom.

Despite this movement towards more capital intensive production, the family farm is still commonplace, and family labor accounts for a large percentage of the agricultural labor input. In recent years, however, the young have left these family farms in large numbers, so that the average age of farm laborers is quite high. This will be one of the factors leading to a further consolidation of many small land holdings, and a more commercial structure for the agricultural economy.

Farm Tenure

No data are available regarding farm tenure in Northern Ireland, although it can be inferred that as a result of the Irish Lands Act virtually all farms in Northern Ireland are owner-occupied. Data for Great Britain (England, Scotland, and Wales) indicate a trend towards owner-occupied farms at the expense of rented acreage. This trend, however, has not been great and almost half of all land used for agricultural purposes in Great Britain is rented.

Farm Organizations

The National Farmers Union is the only major national farm organization in the United Kingdom. This union, which represents the interests of all U.K. farmers, has 175,000 members, 59 county branches, and 1,200 local units. It is the major spokesman for farmer interests during the annual review of agricultural conditions held by the Government each February.

AGRICULTURAL PRODUCTION

The value of U.K. agricultural production has risen considerably in recent years. From \$4.3 billion in 1964/65, it increased to \$4.8 billion in 1968/69—an 11-percent rise over the 5 years. All major components of agricultural production experienced increases in value during this period. The major category, livestock and livestock products, increased 14 percent, from \$2.9 billion to \$3.3 billion. Farm crops produced for sale rose to \$917 million in 1967/68, but fell back to \$862 million in 1968/69 because of poor weather and a poor cereal harvest. Fruits, vegetables, and flowers also rose in value during this period, from \$434 million to \$516 million.

Crop Production

The United Kingdom is Western Europe's largest importer of grain and grain products, even though it ranks fourth among West European grain producing countries. In recent years, the United Kingdom has imported about 40 percent of its total domestic grain requirement for food and livestock feed.

The late 1960's were marked by a banner grain crop of 14.6 million tons in 1967 followed by a poor harvest of 13.1 million tons in 1968 and again in 1970 (table 2). Despite this and other fluctuations, British grain production has generally increased since the early 1950's. Average annual grain production in 1966-70 was 13.6 million tons, an increase of more than 50 percent over the 8.9 million-ton annual average for 1955-60.

While most of the substantial increase in grain production is due to higher yields, almost one-fourth is due solely to increased area under grain production. The British Government has encouraged increased production of grains—in particular, wheat and barley—through their system of price guarantees.

Barley

The United Kingdom produces about one-fourth of the West European barley crop but is still second to France in barley production. Increased interest in producing grain-finished market livestock and increased

demand for barley by the malting and distilling industries have given impetus to the increase in production. Production increased from an annual average of 3.5 million tons in 1956-60 to 8.5 million tons in 1966-70, although 1970 production dropped to 7.5 million tons. Introduction of higher yielding varieties and addition of available land through the increased practice of continuous cereal growing (as opposed to crop rotation) have made such expansion possible. Barley, which currently accounts for more than half of the British grain crop, is the leading cereal crop produced in nearly every county in England, and in most of the agricultural area of Scotland and Northern Ireland.

Wheat

Wheat production has been increasing in recent years and currently accounts for nearly one-third of Britain's grain. Production during 1970 was 25 percent greater than the year before, reaching a record 4.2 million tons (slightly more than in 1965). This large increase was due to both increased yields and increased acreage. The United Kingdom produces somewhat less than half of its annual domestic requirements for wheat. As a result, the British Government's grain policy has stressed increased planting of wheat as an import-saving measure.

Wheat growing is mainly confined to the eastern area of England. Just under one-half of the wheat crop is used for flour milling; the remainder is used mainly for animal feed.

Oats and Rye

Following a rapid decline from an average annual production of 2.7 million tons in the early 1950's—a development linked with the decreased use of horses—oat production has stabilized at about 1.2 million tons yearly since 1966.

Rye production has been phased out almost entirely during the past two decades as a result of its decline in popularity as a food grain.

Potatoes

Potatoes, the mainstay of the British diet, are grown throughout the United Kingdom. Commercial crops of

¹ Unless otherwise noted, tons refer to metric tons throughout this report. 1 metric ton = 2,204.6 pounds.

Table 2.—Area and production of selected crops, United Kingdom, average
1956-60 and 1961-65, annual 1966-70

Commodity	Unit	1956-60	1961-65	1966	1967	1968	1969	1970
Wheat:								
Area	1,000 acres	2,129	2,150	2,238	2,305	2,417	2,059	2,495
Production	1,000 tons	2,847	3,519	3,475	3,902	3,469	3,364	4,172
Rye:								
Area	1,000 acres	22	19	10	11	11	9	11
Production	1,000 tons	21	20	11	12	11	11	14
Barley:								
Area	1,000 acres	2,926	4,591	6,103	6,027	5,933	5,962	5,542
Production	1,000 tons	3,492	6,667	8,723	9,214	8,270	8,663	7,494
Oats:								
Area	1,000 acres	2,227	1,334	907	1,012	945	945	929
Production	1,000 tons	2,238	1,533	1,120	1,386	1,224	1,308	1,233
Other grains:								
Area	1,000 acres	294	104	73	88	112	156	196
Production	1,000 tons	302	129	94	119	153	219	257
Total grains:								
Area	1,000 acres	7,598	8,198	9,331	9,443	9,418	9,131	9,173
Production	1,000 tons	8,900	11,868	13,423	14,633	13,127	13,565	13,170
Potatoes:								
Area	1,000 acres	840	745	669	703	691	614	669
Production	1,000 tons	6,676	6,888	6,580	7,200	6,871	6,215	¹ 7,000
Sugar beets:								
Area	1,000 acres	433	431	446	457	465	457	463
Production	1,000 tons	5,725	5,979	6,599	6,883	7,118	6,034	¹ 6,652

¹ Preliminary.

Office, London, various issues; and *Agricultural Statistics*, U.K. Ministry of Agriculture, Fisheries, and Food, London, various issues.

Source: *Monthly Digest of Statistics*, U.K. Central Statistical

early potatoes are produced principally in the warmer areas of the South and the West coast, while commercial main crop potatoes are raised in the eastern half of England and Scotland and in Northern Ireland.

Although potato production is quite variable, the average yearly production—6.8 million tons during 1966-70—has been generally sufficient for meeting domestic requirements. Production has not declined despite the sharp drop in acreage that occurred during the 1950's.

Sugar Beets

As a result of a Government policy of maintaining the proportion of sugar supplied by domestic beet producers at about one-third of domestic requirements, production of beet sugar is rigidly controlled. Farmers must comply with acreage allotments and must contract to sell beets to the British Sugar Corporation, which has a virtual monopoly on the production of raw sugar from beets.

Sugar beet acreage has varied little during the past 20 years from its current level of around 460,000 acres. Because yields have increased, average annual sugar beet production grew from 4.8 million tons during 1950-54

to 6.7 million tons during 1966-70. Sugar beets are generally raised in the eastern part of Great Britain.

Fruits and Vegetables

Fruits and vegetables occupy only about 2-1/2 percent of the cultivated area of the United Kingdom, but the value of their output amounts to 10 percent of the British gross agricultural output.

Almost 450,000 acres are planted to vegetable crops, and about 250,000 acres are used to produce fruit. Carrots, brussel sprouts, cabbage, cauliflower, beans, peas, lettuce, and hot house tomatoes are the principal vegetable crops grown, and apples, pears, plums, and strawberries are the major fruits. The area planted in vegetable crops has generally declined since the early 1950's, but output of most vegetable crops has been relatively stable or has even increased.

Domestic production accounts for nearly two-thirds of the total supply of fruits and vegetables in the United Kingdom, but the degree of self-sufficiency varies considerably among products.

Livestock Production

Britain's climate and terrain are better suited for livestock raising than for crop production. This, coupled with a rising standard of living and increased demand, has resulted in expansion of the livestock sector.

Beef and Dairy Cattle

In term's of value, beef and dairy cattle are the dominant livestock in the United Kingdom, their farm sales accounting for nearly 40 percent of gross agricultural production. Despite some fluctuations, cattle numbers have generally increased during the past two decades, reaching 12.7 million head in 1970 (table 3).

Although the pure bred beef herd has increased by nearly one-third since 1960, dairy breeds predominate in British agriculture. Friesian cattle (normally a dairy breed but effectively dual purpose) are the most numerous in England, Wales, and Northern Ireland, and Ayrshire cattle are the most popular in Scotland. Dairy cattle, while found throughout the United Kingdom, are concentrated in the western regions. Beef production is most important in the upland regions.

Dairy Products

Dairy farming gives most British farmers their largest and most regular source of income, particularly since it is still the primary occupation of the small farmer. Since the 1956-60 period, milk production has increased 22

percent, even though dairy cow numbers have remained relatively stable. Output was 12.4 million tons in 1970 (table 4). Most of the milk produced in the United Kingdom is used for fluid consumption. Butter, which is available at relatively low world prices, is generally imported.

Beef and Veal

Beef and veal have traditionally been the principal meats produced in the United Kingdom. While somewhat cyclical, beef and veal production has remained relatively constant in recent years, accounting for about 35 percent of total meat production. Expansion has been hindered by lack of farmer confidence in the market, resulting from low beef prices in the early 1960's and a severe foot-and-mouth epidemic in 1967. In addition, there has been a fundamental change in size of animal marketed. The number of heavy 2-year-old animals has declined about one-fourth in response to a growing demand for leaner 12- to 18-month-old animals. Nearly two-thirds of the domestically produced beef is obtained from dairy-type animals.

Table 3.—Livestock numbers in the United Kingdom, average 1956-60, annual 1961-70

Year (in June)	Cattle		Hogs	Sheep	Poultry
	Total	Dairy cows			
	<i>1,000 head</i>	<i>1,000 head</i>	<i>1,000 head</i>	<i>1,000 head</i>	<i>1,000 head</i>
Ave. 1956-60	11,161	n.a.	5,948	25,996	99,333
1961	11,936	3,245	6,042	28,967	114,289
1962	11,859	3,290	6,722	29,498	109,030
1963	11,717	3,247	6,860	29,344	112,175
1964	11,627	3,144	7,379	29,657	118,377
1965	11,943	3,186	7,979	29,911	118,141
1966	12,206	3,162	7,333	29,957	118,940
1967	12,342	3,214	7,107	28,885	125,624
1968	12,151	3,226	7,387	28,004	127,459
1969	12,374	3,275	7,783	26,604	127,220
1970 ¹	12,697	3,290	8,062	26,374	134,419

¹ Preliminary.

Source: *Annual Review and Determination of Guarantees*, U.K. Ministry of Agriculture, Fisheries, and Food, London, various issues.

Hogs

Hogs are generally raised in standardized factory-type enterprises, where feed conversion rates are normally the key to profitability. Hog numbers, which are subject to cyclical change, increased by 40 percent from 1960 to 1965, when they reached a near record 8.0 million head; they slumped to 7.1 million head in 1967, but by 1970 had recovered to a record 8.1 million head. Hogs are raised in most parts of Great Britain but are particularly important in the eastern counties of England. Large white and landrace are the most prevalent breeds.

Pork

Pork production has exceeded beef production three times in recent years—in 1965, 1966, and 1969. Traditionally a beef producer, the United Kingdom in 1970 produced 944,000 tons of pork, a level only slightly below the 949,000 tons of beef and veal produced.

The United Kingdom is nearly self-sufficient in supplying fresh pork, but more than 60 percent of the cured pork consumed must be imported. Denmark provides about three-fourths of these imports.

Table 4.—Production of major livestock products excluding offals,
United Kingdom, average 1956-60, annual 1961-70

Year	Beef and veal	Pork	Lamb and mutton	Poultry meat	Cows' milk
	1,000 metric tons	1,000 metric tons	1,000 metric tons	1,000 metric tons	1,000 metric tons
Ave. 1956-60	799	680	214	230	10,123
1961	905	707	267	352	11,179
1962	917	789	254	345	11,511
1963	944	805	245	362	11,179
1964	876	834	256	379	11,945
1965	832	943	245	407	11,408
1966	867	895	270	442	11,296
1967	921	823	262	482	11,696
1968	904	860	247	526	12,009
1969	871	924	206	565	12,149
1970 ¹	949	944	227	582	12,390

¹ Preliminary

Source: *Annual Review and Determination of Guarantees*, U.K. Ministry of Agriculture, Fisheries, and Food, London, various issues.

Sheep

Sheep have long played an important part in the husbandry of the United Kingdom, both in the hills and the lowlands. However, sheep numbers have declined in recent years, from a high of almost 30 million head in 1965 and 1966 to 26.4 million in 1970—the smallest national sheep herd since 1958. The decline in numbers has been especially sharp in the lowlands, as pastures have been displaced by urban expansion or by grain crops.

Lamb and Mutton

The British normally eat about half as much lamb and mutton as beef and veal. Domestic production has averaged approximately 245,000 tons annually during the past decade and has supplied about 40 percent of domestic requirements. Imports, mainly from New Zealand and the Republic of Ireland, averaged almost 320,000 tons a year during 1966-70.

Poultry

One of the most dramatic changes in the livestock economy of the United Kingdom has been the marked increase in poultry numbers. A record 134 million birds were on farms in 1970, an increase of almost 20 percent in the past 10 years. The poultry industry's rapid expansion has been characterized by increased economic efficiency in the form of lower per unit costs of production. This increased efficiency has resulted from more advanced breeding programs and from vertical and horizontal integration.

Poultry Products

While the production of eggs has increased steadily in recent years (to almost 900,000 tons in 1970), the most striking rise has been in production of poultry meat. Such production has increased each year since 1962; in 1970 it was 582,000 tons, more than 150 percent greater than the average annual production during 1956-60.

AGRICULTURAL INPUTS

Agriculture, like any other productive enterprise, must make use of various factors of production, or inputs, to produce any given commodity. By studying the particular mix of inputs required for a given product—for example, much labor and little machinery or fertilizer (labor intensive), or less labor and more machinery or fertilizer (capital intensive)—considerable insight into the nature of the agricultural economy may be gained.

As will be discussed in a following section, the purchase of commercial fertilizers in the United Kingdom is subsidized by the Government. This subsidy has undoubtedly helped to increase the use of fertilizer

in recent years, although fertilizer consumption did not increase substantially in 1969/70. Subsidies have been reduced in recent years, primarily to curtail the subsidy program's cost, which has increased as the quantity of fertilizer used has increased. However, because of the previous year's especially poor harvest and high production costs, the 1969 crop year fertilizer subsidy was increased by 20 percent over the 1968/69 subsidy. The level of this subsidy was to be reduced to the 1968/69 level after 1 year.

U.K. farmers used almost 2 million tons of commercial fertilizer in 1967/68, an increase of 75 percent over the previous decade. Almost 50 percent of

the commercial fertilizers used were nitrates. With a commercial fertilizer application of this magnitude, the United Kingdom ranks among the world leaders in commercial fertilizer use per acre. Liming is also necessary on some British soils, although prior to 1968 use of lime was decreasing. Since that year, the decrease appears to have leveled off.

Disease and pest control measures have received ample attention in the United Kingdom. A major epidemic of foot-and-mouth disease occurred in 1967/68, but animal slaughter and other control measures were successful in its elimination. The British farmer makes adequate use of private veterinary services,

which can be supplemented by a Government veterinary service if necessary.

The United Kingdom has one of the most highly mechanized agricultural economies in the world. There are over half a million tractors, or one to every 35 acres of arable land. During the past 10 years, the number of agricultural tractors in use has increased approximately 10 percent. Power take-off equipment is common, as indicated by the more than 70,000 combines in operation in 1968. Milking machines are found on all but the smallest farms. Over 90 percent of the farms are supplied with an adequate amount of electricity.

AGRICULTURAL AND TRADE POLICY

Introduction of Variable Import Levies

The United Kingdom is currently in the process of changing its traditional method of agricultural price support. The Conservative Government has pledged itself to change many aspects of agricultural policy; one major step already begun is elimination of the deficiency payment price support system, which has been in effect for a number of years.

Under the deficiency payment system, the market price of farm products in the United Kingdom has been relatively low. This is because domestically produced commodities have competed in the U.K. market with imported products subject to low tariffs. Farmers have been reimbursed for any difference between the realized (or market) price and a price guaranteed by the Government. This reimbursement is the deficiency payment.

This system of price support is currently being phased out in favor of increased import duties, or variable import levies. The amount of the levy varies according to the c.i.f. price of a commodity and the minimum import price established for the commodity. The variable levy imposed is the amount necessary to bring the c.i.f. price up to the minimum import price.

Commodities that will be affected by this shift in policy are grains, beef and veal, mutton and lamb, and dairy products (excluding butter and cheese).

Two major factors precipitated the change in support policy. First, deficiency payments were costly to the U.K. Government. In the past 3 years, the annual cost of such payments has exceeded \$300 million. The Government expects to virtually eliminate deficiency payments by 1974/75, and also to benefit from the revenues collected under the variable levy system. A second reason for the shift toward variable import levies relates to possible entry of the United Kingdom into the European Community. Negotiations are currently underway concerning this. Although differing from the new U.K. system of agricultural support in some detail, the EC support system is also based on variable import levies. Thus, adoption of a variable levy system by the

United Kingdom offers the advantage of aligning the policies of the two areas. If U.K.-EC negotiations result in membership for the United Kingdom, this alignment of price support policy will ease the transition necessary before the United Kingdom becomes a full member. Despite the new system's similarity to the EC's common external tariff on goods entering the Community from third countries, the Conservative Party has said that the new policy is related primarily to the Government's overall program to reduce Exchequer costs and encourage more of a market economy.

From the standpoint of traditional suppliers of grain and livestock products to the U.K. market (among them the United States), this new system represents a significant change in traditional British policy. Until this time, British market prices have been allowed to fluctuate in accord with import prices. Because the British market has been relatively free of protective trade barriers, these market prices have been comparatively low.

The shift towards variable import levies will have several direct effects on the U.K. Government and the British farmer and consumer. First, as was the major intent, the cost of agricultural support borne by the Exchequer will be substantially reduced. Second, the farmer will receive a higher market price as a result of the higher import price that will occur. The market price of many commodities will be determined largely by domestic demand and domestic supply, rather than domestic demand and domestic supply plus imports. Third, the higher market price will result in increased food costs and therefore an increase in the cost of living. While many estimates of the magnitude of these increases have been made, the most commonly discussed increase in food costs is at least 10 percent, with a corresponding increase in the cost of living of about 3 percent. In essence, the United Kingdom's new variable import levy system will result in a shift of agricultural support from the Government sector to the consumer.

Capital Grant Schemes

Since deficiency payments relate only to current production, the Government offers grants and/or subsidies to farmers in an attempt to increase productivity over the long run. Items covered in this policy include fertilizer and lime, eradication of tuberculosis, and construction of silos and other capital equipment. Also, lump sum and annuity payments are available to meet part of the expense of voluntary consolidation of small farms with other land to form viable commercial units. The latest estimate of the cost to the Exchequer of these grants in 1970/71 is almost \$250 million.

Marketing Boards

Several agricultural commodities in the United Kingdom are subject to the authority of Government marketing boards. These boards were authorized under the Agricultural Marketing Act of 1958. Some boards actually buy produce, others simply control all producer-buyer contracts, and still others maintain only a broad control over marketing conditions. Cereals, potatoes, eggs, sugar beets, milk, and wool are the principal products now governed, to various degrees, by marketing bodies.

International Agreements

As mentioned previously, U.K. import duties on raw agricultural products have been relatively low (although the shift to variable import levies will change this). In addition, the Commonwealth preference system is still in effect, and Commonwealth countries are either exempted from duties or receive preferential rates. A bilateral trade agreement was signed in 1965 between the United Kingdom and the Republic of Ireland (the Anglo-Irish Free Trade Area Agreement), and almost all duties between the two have subsequently been abolished. The United Kingdom has also entered into agreements with its principal suppliers of pork and grains. With the above exceptions, the United Kingdom generally imports agricultural products from any countries whose exports are available. At this time, it is uncertain what effects the shift to variable import levies will have on trade with such countries.

The United Kingdom is a member of the International Monetary Fund, The General Agreement on Tariffs and Trade, the Organization for Economic Cooperation and Development, and the European Free Trade Association (EFTA). If the current negotiations between the United Kingdom and the European Community result in U.K. membership, the United Kingdom will not continue as a member of EFTA.

AGRICULTURAL TRADE

International trade has historically been and continues to be of vital importance to the British economy. With a relatively small area, and with less than 2 percent of the world's population, Britain is the world's third largest trading nation and largest net importer of agricultural products.

In 1970, the United Kingdom experienced a balance-of-trade surplus for the first time since 1958. On a c.i.f. basis, total imports were valued at a record \$21.7 billion. During 1966-70, the total value of U.K. imports averaged \$18.1 billion annually. Agricultural imports during this period averaged about \$5.5 billion a year, or about 30 percent of total imports. The value of U.K. agricultural imports has been approximately 10 times greater than the value of U.K. agricultural exports in recent years, although such exports increased considerably in 1970.

Because of the frequent balance-of-trade deficits, the British Government devalued the pound sterling by 14.3 percent in November 1967. A second measure has been continued Government support of agriculture in an attempt to increase production and reduce imports. This support indicates that agriculture, regardless of its small share of gross domestic product, is a vital sector to the economy of the United Kingdom.

The United Kingdom relies on imports for about half of all food consumed, and for nearly all raw materials

needed by industry. As domestic agricultural production has expanded, British dependence on imported food and the proportion of food imports to total imports have declined. Total value of agricultural imports has remained relatively stable in recent years. Viewed in comparison with an expanding population, this is indicative of the decreased dependence on imported foodstuffs.

The United Kingdom is not a major exporter of agricultural products. During 1966-70, the export value of agricultural products averaged slightly more than \$650 million annually. Most agricultural exports are processed or semiprocessed products, in contrast to the unprocessed nature of most agricultural imports. For example, of the major import category cereal and cereal preparations, almost 98 percent of imports are unmilled cereals. Cereal and cereal preparations are also major exports. Here, however, only about one-third of exports are unmilled—the remainder being preparations that have been substantially processed.

Imports

British agricultural imports cover a wide variety of products. The largest import category is meat and meat preparations, which amounted in value to over \$1 billion in 1970 (table 5). This category ranked first in agricultural imports throughout the 1960's. It has

contributed about 20 percent of total agricultural imports in recent years. Denmark and New Zealand are the major suppliers of meat and meat preparations. Since 1966, U.S. shipments have ranged from only \$17 to \$21 million (table 6). Imports of these products have changed little in recent years, as increased domestic demand has been matched by increased domestic production.

The second largest agricultural import of the United Kingdom is fruits and vegetables. In 1970, more than \$910 million worth of fruits and vegetables were imported, of which only about 5 percent by value were from the United States.

The important import category of cereals and cereal preparations is of particular significance to the United States. U.K. imports of these products from all sources, after having decreased for several years, increased in

both 1969 and 1970. The value reached \$675 million in the latter year. Imports from the United States during 1970 were valued at \$166 million, the highest in 4 years.

Tobacco is another U.K. import of particular importance to the United States. During 1970, tobacco imports from the United States were valued at \$136 million, almost 50 percent of total U.K. tobacco imports.

Other major U.K. agricultural imports include dairy products and eggs, and coffee, tea, and spices. The U.S. share of this market is negligible. Dairy products and eggs are primarily supplied by Denmark and New Zealand, while coffee, tea, and spices are purchased from Brazil, Ceylon, Indian, and various African countries.

On the whole, the United States supplied less than 10 percent of total U.K. agricultural imports in each year 1966 through 1970.

Table 5.—U.K. imports of major agricultural products, 1966-70

Commodity	1966	1967	1968	1969	1970
	<i>Million dollars</i>	<i>Million dollars</i>	<i>Million dollars</i>	<i>Million dollars</i>	<i>Million dollars</i>
Meat and meat preparations	1,048.3	1,027.4	957.3	1,038.0	1,051.7
Fruits and vegetables . .	880.1	901.6	838.6	859.9	911.8
Cereals and cereal preparations	620.9	612.7	556.7	604.6	675.4
Coffee, tea, spices	448.9	469.5	461.3	438.4	503.3
Dairy products and eggs	546.2	569.9	479.7	441.7	445.3
Other agricultural products	2,209.0	2,059.2	2,149.8	2,111.9	2,043.1
Total agricultural products	5,740.8	5,598.3	5,286.9	5,428.9	5,630.6

Source: *Overseas Trade Accounts*, U.K. Board of Trade, London, various issues.

Exports

Of the wide variety of U.K. agricultural exports, a major category is cereals and cereal preparations. Exports in this category, primarily cereal preparations, fluctuate considerably from year to year. They declined from a high of \$116 million in 1966 to only \$62 million in 1969, but in 1970 increased to \$81 million (table 7). The U.S. share of this category of exports has been increasing steadily but was still relatively small in 1970 at \$4.9 million.

Live animals, primarily used for breeding, are also important U.K. exports. This category is perhaps the

most cyclical, as indicated by the 1965-70 figures: From 1965 to 1968, export value dropped \$55 million, from \$103 million to \$48 million. Then it increased to \$78 million in 1970. One of the major causes of the 1965-68 decline was 1970's severe foot-and-mouth epidemic.

A third significant agricultural export category is sugar and sugar preparations, which had an export value exceeding \$73 million in 1970. Almost 20 percent (by value) was exported to the United States, mostly as processed products such as molasses and confectionaries.

Dairy products and eggs, and fruits and vegetables are other U.K. exports but these are of minor importance to the United States.

**Table 6.—Major U.K. agricultural imports from the United States,
1966-70**

Commodity	1966	1967	1968	1969	1970
	<i>Million dollars</i>	<i>Million dollars</i>	<i>Million dollars</i>	<i>Million dollars</i>	<i>Million dollars</i>
Cereals and cereal Preparations	210.4	159.1	136.3	122.9	165.8
Tobacco and tobacco Manufactures	136.9	136.8	156.3	145.5	136.0
Fruits and vegetables . .	54.9	54.2	42.5	36.5	46.2
Food preparations	17.7	19.3	11.9	18.5	33.3
Meat and meat preparations	20.0	16.7	19.1	17.9	21.2
Other agricultural products	85.5	60.2	67.2	75.7	¹ 48.8
Total agricultural products	525.5	446.3	433.3	417.0	¹ 451.3

¹ Preliminary.

Source: *Overseas Trade Accounts*, U.K. Board of Trade, London, various issues.

Table 7.—U.K. exports of major agricultural products, 1966-70

Commodity	1966	1967	1968	1969	1970
	<i>Million dollars</i>	<i>Million dollars</i>	<i>Million dollars</i>	<i>Million dollars</i>	<i>Million dollars</i>
Cereals and cereal preparations	116.5	111.9	95.2	61.8	80.9
Live animals	63.8	70.6	48.0	69.2	78.3
Sugar, sugar preparations and honey	60.5	63.7	59.2	67.2	73.8
Fruits and vegetables . .	42.7	36.1	38.0	42.7	53.2
Dairy products and eggs	33.5	30.6	31.3	32.7	34.7
Other Agriculture products	233.3	211.9	238.3	294.1	520.3
Total agricultural products	654.0	610.2	553.9	605.1	841.2

Source: *Overseas Trade Accounts*, U.K. Board of Trade, London, various issues.

FOOD CONSUMPTION

Most U.K. residents enjoy a high, and still rising, level of nutrition. The daily caloric intake, one of the highest in the world, has remained near 3,200 calories per person the past 10 years. This is about equal to the daily caloric intake in the United States. Although the caloric intake level has been constant, significant shifts have occurred within the British diet. One of the main changes in the typical diet has been a decline in the use

of cereals and cereal products. Per capita consumption of grains declined from 185 pounds a year during 1957-59 to less than 162 pounds a year during 1968-69, a decrease of 13 percent. This decline in carbohydrate consumption has been offset by increased use of high protein foods. Largely because of increased consumption of poultry meat, per capita meat consumption increased almost 10 percent during 1957-69. The 1969 level was

165 pounds. Only France (186 pounds per person in 1967) has a higher level of meat consumption in Western Europe. Other items which the British are consuming in quantities greater than a decade ago are eggs, fruits and vegetables, and milk. Traditionally, tea is the major beverage in the United Kingdom, but the consumption of coffee has increased markedly in recent years. Fluid milk is also consumed in large quantities, averaging a rather consistent 330 pounds per person in recent years.

Total food expenditures in the United Kingdom have increased approximately 20 percent in the past 10 years. This primarily reflects the demands of an increasing population, although rising per capita disposable income, which has resulted in an increased demand for processed

or "luxury" foods, has also been a significant contributing factor. Because the income elasticity of demand varies among food items and because per capita disposable income has increased, consumption, as previously noted, has shifted toward meats and high protein foods (with a high income elasticity) and away from carbohydrate foods (with a low or even negative income elasticity).

Approximately 20 percent of disposable family income is required to purchase food items in the United Kingdom, compared with 26 percent 10 years ago. This decline has occurred because incomes have been rising faster than the price of food, so that the real price of food has decreased.

OUTLOOK

The outlook for the agricultural economy of the United Kingdom must be examined in the light of various policy alternatives. One is possible U.K. membership in the European Community (Common Market) and another is possible continuation of the recently instituted variable import levy system. The U.K. application for Common Market membership was recently accepted by the EC. If this acceptance is ratified by the British Parliament, a 5-year transition period will be allowed, after which the United Kingdom will adopt a common agricultural policy applicable to all members of the Community. In general, this will result in a discontinuation of alternative methods of agricultural price support in favor of a common target price for most agricultural commodities, and a variable import levy applied to nonmember countries so that the target price may be approximated in the domestic market. Even if the United Kingdom remains outside the Common Market, import restrictions will exist because of the variable import levies that have recently been imposed. Thus, either alternative will cause problems for traditional suppliers of agricultural products to the United Kingdom, among them the United States.

The effects of either EC membership for the United Kingdom or continuation of the new variable import levy system will most likely be noted in the magnitude rather than the direction of changes in the agricultural

economy. Regardless of future policy, outmigration from agriculture will continue, although at a somewhat slower rate. Amalgamation of farms should also continue.

Consumer demand for agricultural products should continue to shift from cereals and cereal preparations to livestock products. The change in quantity demanded will be influenced greatly if U.K. membership in the EC occurs, since this membership is expected to increase retail food prices by at least 10 percent. A price rise of this magnitude would be expected to slow down the shift towards higher priced livestock products.

Production of grains, primarily wheat and barley, should continue to increase. The higher grain prices associated with EC membership would result in a greater increase in wheat and barley production than would occur under any other set of economic policies.

Production of livestock products, especially beef and veal, and poultry, should increase in the United Kingdom if current policies are continued. If the United Kingdom joins the Common Market, the expected result would be a greater increase in beef prices than in grain prices and therefore a moderate expansion in beef and veal production. In the poultry industry, on the other hand, the increase that would occur in product price is not expected to match the increase in feed prices, and falling profit margins would possibly curtail production increases.

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